

Message Text

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C O N F I D E N T I A L QUITO 1151

AIDAC

E. O. 11652: GDS

SUBJECT: LOAN NARRATIVES FY 1974 CONGRESSIONAL PRESENTATION

REFERENCE: A) STATE 038429; B) QUITO 0820

BEGIN CONFIDENTIAL

1. NARRATIVES FOR FY 74 SHELF LOANS REQUESTED REF A ARE CONTAINED BELOW. PER REF B., EXPORT PROMOTION NARRATIVE HAS INSERTS DESCRIBING OPTIONAL COMPONENTS FOR ASSISTANCE TO ECUADOREAN FISHING INDUSTRY. SUGGEST AID/ W CONSIDER INCLUDING \$6.0 MILLION PROPOSED DECENTRALIZATION OF EMPLOYMENT OPPORTUNITIES LOAN IN FY 74 SHELF PROJECTS IF IRR APPROVED. APPRECIATE BEING NOTIFIED IF IRR HAND CARRIED BY CODY DOES NOT SUFFICE FOR LA/ DR PREPARATION OF LOAN NARRATIVE. END CONFIDENTIAL.

2. BEGIN UNCLASSIFIED. EDUCATION CREDIT, \$3.0 MILLION.

A. GOAL STATEMENT: TO ASSURE ADEQUATE AVAILABILITY OF THE TRAINED MANPOWER REQUIRED TO ACHIEVE DEVELOPMENT GOALS WHILE FACILITATING UPWARD MOBILITY OF LOW INCOME GROUP MEMBERS BY PROVIDING ACCESS TO HIGHER EDUCATION AND TRAINING. EXISTING AND PROJECTED MANPOWER GAPS IN ECUADOR PRESENT SERIOUS OBSTACLES FOR ALMOST ALL SECTORS INVOLVED IN THE DEVELOPMENT PROCESS. ALSO, SELF-IMPROVEMENT THROUGH HIGHER EDUCATION AND TRAINING IS BASIC TO GREATER PARTICIPATION BY INDIVIDUALS IN THE COUNTRY'S ECONOMIC, SOCIAL, AND POLITICAL DEVELOPMENT.

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B. PURPOSE: TO PROVIDE SEED CAPITAL NECESSARY TO PERMIT A NEWLY ESTABLISHED STUDENT LOAN INSTITUTE TO EXPAND RAPIDLY AND TO CONTINUE AT AN EFFECTIVE AND EFFICIENT LEVEL OF OPERATIONS. THE INSTITUTE SHALL PROVIDE LOW INTEREST CREDITS TO QUALIFIED STUDENTS, SERVE AS A CLEAR-ANCE HOUSE FOR INTERNATIONAL SCHOLARSHIPS, PROVIDE GENERAL GUIDANCE TO STUDENTS IN CAREER AND EDUCATION OPPORTUNITIES, AND OFFER PLACEMENT SERVICES TO STUDENTS COMPLETING THEIR EDUCATION. THE BASIC CRITERIA IN SELECTING CANDIDATES TO BENEFIT FROM THE INSTITUTE' S ACTIVITIES WILL BE ECONOMIC NEED OF THE APPLICANT, HIS ACADEMIC QUALIFICATIONS, THE CONSISTENCY OF THE FIELD OF STUDY OR TRAINING WITH THE MANPOWER REQUIREMENTS OF THE COUNTRY.

C. PROPOSAL: THE LOAN WILL BE MADE TO THE ECUADOREAN INSTITUTE FOR EDUCATIONAL CREDIT AND SCHOLARSHIPS, IECE, A NEWLY ESTABLISHED AUTONOMOUS AGENCY ATTACHED TO THE MINISTRY OF EDUCATION. THE GOE WILL BE THE BORROWER AND WILL PROVIDE THE LOAN FUNDS AS A CONTRIBUTION TO IECE. REGULAR GOE CONTRIBUTIONS TO IECE WILL TOTAL APPROXIMATELY \$6.0 MILLION BY THE TIME THE AID LOAN IS DISBURSED. THE A. I. D. LOAN WILL FUND THE DOLLAR AND LOCAL CURRENCY COSTS OF STUDENT CREDITS FOR STUDY ABROAD AND IN ECUADOR, INCLUDING SECONDARY, UNIVERSITY AND POST GRADUATE LEVELS AS WELL AS VOCATIONAL TRAINING AT THE INTERMEDIATE LEVEL. THE LOAN WILL ALSO FINANCE NECESSARY TECHNICAL ASSISTANCE, INCLUDING THE UPDATING OF THE GOE MANPOWER PLAN. IECE SHALL DEMONSTRATE THAT THE LOAN FINANCES STUDY AND TRAINING IN AREAS OF MANPOWER DEFICIT AND NOT MORE THAN 50 PERCENT OF THE A. I. D. LOAN SHALL BE DISBURSED PRIOR TO THE UPDATING OF THE MANPOWER PLAN.

3. EXPORT PROMOTION, \$5.0 MILLION

A. GOAL STATEMENT: TO GENERATE PERMANENT, VIABLE EMPLOYMENT OPPORTUNITIES BY PROMOTING INVESTMENT IN NEW AND EXPANDING NON- TRADITIONAL EXPORT INDUSTRIES (BEGIN OPTIONAL) WITH EMPHASIS ON THE ECUADOREAN FISHING INDUSTRY (END OPTIONAL). USAID ESTIMATES THAT SOME 80,000 JOBS MUST BE CREATED ANNUALLY DURING THE NEXT FIVE YEARS IN ORDER ACHIEVE ACCEPTABLE RATES OF EMPLOYMENT GROWTH IN URBAN
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AREAS. SUCH A RATE OF GROWTH IS AN IMPORTANT ASPECT OF

THE GOE' S OVERALL PROGRAM FOR MOVING EXCESS LABOR SUPPLY OUT OF THE AGRICULTURE SECTOR AND INCREASING THE PER CAPITA INCOME OF THOSE WHO REMAIN IN THAT SECTOR.

B. PURPOSE: TO ESTABLISHING A FINANCING MECHANISM FOR INVESTMENT IN NON TRADITIONAL EXPORT INDUSTRIES AND STRENGTHEN GOE EFFORTS AND PROGRAMS FOR PROMOTING SUCH INVESTMENTS AND EXPORTS. THE AVAILABILITY OF ADEQUATE INDUSTRIAL FINANCING AVAILABLE AT REASONABLE TERMS IS AN ESSENTIAL, BUT MISSING, INCENTIVE FOR INVESTMENT IN NON TRADITIONAL EXPORT INDUSTRIES. SIMILARLY, GOVERNMENT EFFORTS TO DATE PROMOTE ECUADOREAN EXPORTS HAVE BEEN NEGLIGIBLE AND INEFFECTIVE. HOWEVER, THE NEW GOE FIVE YEAR PLAN EXPLICITLY RECOGNIZES THE IMPORTANCE OF INCREASING THE RATE OF GROWTH OF NON- TRADITIONAL EXPORTS. INSTITUTE OF FOREIGN TRADE AND INTEGRATION HAS RECENTLY COMBINED AS PART OF THE MINISTRY OF INDUSTRY AND INTEGRATION WITH THE DIRECTOR OF THE FORMER INSTITUTE NAMED AS MINISTER. THE NEW MINISTER WILL BE ABLE TO UTILIZE THE EXPANDED RESOURCES AVAILABLE TO HIM WITHIN THE MINISTRY TO DEVELOP A MORE EFFECTIVE EXPORT PROMOTION PROGRAM.

C. PROPOSAL: LOAN FUNDS WILL BE USED TO FINANCE THE DOLLAR AND A PORTION OF THE LOCAL CURRENCY COSTS OF MEDIUM AND LONG TERM CREDIT NEEDS OF NEW AND EXPANDING NON- TRADITIONAL EXPORT INDUSTRIES. (BEGIN OPTIONAL) TO ASSIST ECUADOR TO DEVELOP A CAPACITY TO UTILIZE ITS FISHING RESOURCES A PORTION OF THE PROGRAM WILL BE DIRECTED TO PROVIDE CREDIT AND TECHNICAL ASSISTANCE TO THE FISHING INDUSTRY (END OPTIONAL).

THE BORROWER WILL BE THE GOE AND THE PRINCIPAL EXECUTING AGENCIES WILL BE THE CENTRAL BANK TRUST FUND FOR ADMINISTERING THE CREDIT PORTION OF THE LOAN THROUGH THE BANKING SYSTEM AND THE MINISTRY OF INDUSTRY AND INTEGRATION FOR THE EXPORT PROMOTION PORTION. AN AMOUNT MATCHING THE A. I. D. LOAN WILL BE PROVIDED THROUGH CONTRIBUTIONS FROM THE GOE, THE PARTICIPATING FINANCIAL INSTITUTIONS AND SUBLOAN RECIPIENTS.

END UNCLASSIFIED.

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